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DC-5

Discussion Series C

No. 5

Publication Extracts Which Present Diversified Viewpoints
On The Question

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Economical Production And Quality Goods The Goal
For Both Agriculture And Industry:--Hatch and Russell

'Neither farm nor factory can prosper for long at the expense of the other. Both must prosper together. The reason is very plain. Factory workers, in a very large degree, furnish the market for products of the farm. On the other hand, the farmer is the largest consumer of factory made goods. Besides the necessary clothing and shelter which everybody must have, every farmer uses a large equipment of tools and machinery for the necessary operations of his farm. It is, therefore, important that the buying power of these two major classes be kept in balance to insure continuous absorption of the other's goods.

"Economical production and quality goods thus become the essential parts of every program of development whether it be farm or factory. The best possible goods at the lowest price that will yield a profit to the producer--and encourage maximum consumption--is the ideal toward which both farm and factory should strive if they are to prosper together.'

Farm and Factory Must Prosper Together.

K. L. Hatch and H. L. Russell,
Report of Extension Service,
College of Agriculture,
University of Wisconsin.

Industry Must Resume Former Output:--L. H. Bean

".....In 1934 the national income was nearly 52 billion dollars compared with 46 in 1933 and 80 in 1929. The share contributed to that total by agriculture was 5.2 billion dollars or 10.2%. Were the national income to advance during the next few years to about 75 billion, or a gain from the present of 23 billion, agriculture would need an increase of about 6 billion or a fourth of the total increase, if its share were to be restored to 15% instead of the present 10%. Such an improvement would not only make up for some of the inequalities suffered by agriculture during recent years, but would permanently put farmers on a higher standard of living and add to the balance between agriculture and industry that is needed for permanent stability. We cannot attain this higher standard of rural living unless industry resumes its former level of output.....

Each day that ten million workers, in city unemployed and excess, workers on farms, go without real work, the labor of 80 million man-hours is lost for all time. That is the greatest waste of the entire depression. We must work out the necessary readjustments in our economic machine, in our balances of agriculture and industrial prices, of agricultural and industrial production, and agricultural and industrial standards of income and living conditions.

These balances are necessary in order to turn loose the abundant manpower for the production of the things we all need and for really progressing out of this depression on a permanent basis."

"Relation of Industrial to Agricultural Recovery"
Louis H. Bean,
Address--January 29, 1935.

Industrial Coordination For Expanded Production:--Mordecai Ezekiel

"But how can a general expansion in industrial activity be brought about? Our population is now 5% larger than in 1929. Before 1929, production was growing even faster than population. If we had maintained pre-depression trends, our present index of total physical production would be 110% of 1929. And even 1929 levels were far below our capacity, as the Brookings' and many other studies have shown. How can we organize for full production?

"If any one industry were to run at full capacity, it would greatly reduce overhead costs. If it could sell its increased output, it could pay more wages, sell at lower prices, and make more profits, all at the same time.

"But if one concern expanded to capacity all by itself, it would not find increased markets. Only a balanced expansion throughout industry can simultaneously expand production and buying power.

* * * *

"Partial coordination, dealing with individual industries, tends inevitably to restriction of production. Only through industry-wide coordination of all major industries could programs be directed to positive expansion instead.

"We must search for democratic means for industry-wide coordination aimed at expansion. In that search we must examine carefully the results of experience with NRA, AAA, and other devices, to see which ones have so far proved capable of providing for the general welfare the necessary coordination of the individual private units or concerns which make up our economic society."

"Scarcity Versus Abundance"
Mordecai Ezekiel,
Address--October 8, 1935.

Bring Agriculture To Reasonable Parity With Industry And
Deflate Both:--C. J. Brand

"Being a protectionist, I have no desire nor purpose to ascribe all our agricultural woes to the imperfections of the tariff. Many other factors have been contributory. Because of present emphasis upon one, I would not have you think the others are ignored. To attain a price balance inside our country by lifting the agricultural level is largely the controlling thought. To secure this end by lowering the industrial level would to my mind be destructive, not constructive. To

lift the world level of farm product prices to the United States level of non-agricultural products is humanly impossible; only nature or world-wide monopoly could do this.

"To bring agriculture up to reasonable parity with industry and later to deflate both, in so far as practicable, gradually over a period of years, would have elements of justice and would to an extent promote world recovery by facilitating exchange of commodities between Europe and America."

"The Price Balance Between Agriculture and Industry"

C. J. Brand. Reprinted from "The Future Of Prices At Home And Abroad", Vol. XI, No. 2. The Proceedings, Academy of Political Science, Columbia University, New York City.

Larger Incomes for All Occupations Will Diffuse Prosperity:--T. N. Carver

"Every civilized nation is trying, and with some success, to make it difficult or impossible to get money by methods which impoverish others, and to encourage the making of money by methods which enrich others. Progress is measured by the success with which this is accomplished.....

"There is nothing inherently impossible or even especially difficult in a program for the general diffusion of prosperity among all occupations throughout the country. All occupations can be given larger and larger incomes. This can be done without changing one essential feature of our present economic system. All that is necessary is, first, to continue to encourage improvements in the arts of production that the average product per worker may continue to increase. Second, to take such measures as will avoid occupational congestion. The first policy will increase the national dividend, the second will insure a more and more equitable division of that dividend among all classes."

"Can Farmers and City Men Both Prosper?"

T. N. Carver,
Nation's Business, March 1931.
(Extract Selection by Staff)

Salaries Must Be Increased And Security Assured:--E. A. Filene

"Mass production raised wages even more rapidly than the conservative labor unions had raised their demands. It installed the eight-hour day when labor was still fighting for nine or ten. It followed with agitation for the six-hour day and the five-day week, and for a definite system of higher and higher wages as better methods might increase production. All this, remember, not with any particular humanitarian or altruistic motives but because it had become evident that higher wages and more leisure for the masses was now a business necessity.

"It was discovered, for one thing, that high wages should mean lower labor costs per unit of product, which is the only sound way of figuring labor costs. It was discovered that high wages acted as a spur to management and led to the constant discovery of better and better methods. Management was thus directed to look for profits in the direction where profits could most certainly be found--not in the exploitation of human beings, but in the elimination of waste and bad management. * * * *

"One who gives the matter any thought at all must perceive that our industries, if they really hope to find a profitable market, must make wages higher and higher as production is increased.

"It would seem also that they must make workdays shorter or else provide for longer and longer vacations on full pay. That is necessary because it takes time--and it will require more and more leisure on the part of the masses--to consume the enormously increasing products of our machines.

"But we must, if we expect to continue profit-making, go much farther than that. We must provide security by some other method than through individual saving. If we do not, the masses from time to time will save instead of buying; and when they cease buying we will lose our profits and they will lose their jobs."

"The Consumer's Dollar"
Edward A. Filene,
John Day Pamphlet, 1934.

Efficiency And Distribution:--Editorial

"Around a table the other day sat a dozen millionaires, an economist or so and an unabashed editor, discussing the farm problem. The big business men--and they were of the biggest--were thoroughly interested and completely sympathetic..... Half of the dozen were extremely well informed about agriculture. A few were not. 'If farmers would only conduct their business efficiently,' one of the few began to say when he was interrupted by another who snapped: 'If the farm output were handled by business as efficiently as farmers produce it, business would be in better position to scold farmers. Last fall, on the day my peaches were auctioned 50 miles out here in New Jersey for 26 cents a basket, I paid 60 cents for sliced peaches in the Bankers' Club. Is efficiency reflected in that spread?' We would hesitate to proclaim that farmers generally are particularly efficient. But business can't boast of high efficiency when, entrusted with the farmers' products, it has to use up 60 cents of the consumer's dollar to deliver what the farmer gets 40 cents for. Farmers are well entitled to r'ar up and hoot at 'business efficiency' if the phrase refers at all to the mess that has been miscalled a distribution system. The perennial question is: Who's going to do what about it?"

"Laugh at Business"
Editorial, Farm and Fireside,
March, 1929.

Stabilized Buying Power For Both Business Man and Farmer:--L. H. Bean

"It is just as much to the interest of farmers that business activity be stabilized to obviate excessive changes in city buying power as it is to the business man that farmers avoid excessive fluctuations in their output and in their purchasing power."

"The Farmer And The Business Situation"

L. H. Bean

Radio Address - January 20, 1930

Agricultural And Industrial Income Must Increase At Equal Rate:--

Henry A. Wallace

"Running through all these fundamentals, of course, is this fact of interdependence, and in my remarks last year I expressed the hope that the operation of the farm bill would be in that spirit. Frequently I have found it useful to mention the very close relationship between farm income and factory payrolls, both of which ranged between 10 and 12 billion dollars annually from 1923 to 1929, both of which crashed to only 5 billion dollars apiece in 1932, and both of which have come back until now they seem to be going at about a 7-billion-dollar a year rate. There are many people who would like to see one of these shoot up to 12 billion dollars at once, without regard to the other. In any economy as interdependent as ours is, nothing of the sort is possible; the only sensible program is one which calls for steady, sound increases in both those incomes at approximately equal rates."

Remarks of Henry A. Wallace

Before U. S. Chamber of Commerce

May 4, 1934

Let Wages Find Their Natural Level:--W. G. Stuart

"The railroad worker by political and economic pressure, by intimidation, destruction of property, strikes, violence, arson and murder has forced wages up to an entirely unnatural level and the same may be said of practically all unionized labor; while teachers, especially since women received the vote, have employed threats of political destruction to force salaries (especially in cities of first and second class) up to ridiculous proportions. For instance, in New York State in 1890 there were 23,835 public school teachers receiving \$10,422,171 and in 1926 there were 66,434 teachers receiving \$140,930,059 (which does not include pension payments); so that, while the number of teachers increased less than 200% their salaries increased more than 1300%. Are farmers receiving 1300% more for their labor than they did in 1890? Well, not exactly!

The past year, my niece who is a teacher in New York City received \$4.93 an hour for every hour she worked. Her youngest

sister (who also tried for a teacher's job, but found that every position had about 50 applicants) is a stenographer for a law firm in Yonkers. She received less than 80¢ an hour. The elder sister was receiving a forced price, the younger sister a natural price."

"A Dirt Farmer Speaks His Mind"
William Gordon Stuart
Atlantic Monthly - March 1930.

Prices, Production, And The General Welfare:--Henry A. Wallace

"It seems doubtful if the consumer ever will have anything important to say about the price and production policies of industry until every special interest in possession of a governmental grant or favor, is required to adjust its price and production policies in the light of the general welfare. If that goes for farmers, it ought also to go for great corporations.

"Nothing I have said should be construed as an attack upon individual industrialists or business leaders. Some critics interpreted my remarks recently on pigs and pig iron in that vein, and I am sorry they did so. I do not condemn the operator of a particular iron foundry for curtailing his production, or even for laying off men, if that is the only way he can stay in business. What I do condemn is the system which compels him to curtail production and to lay off men. What we all seek is the means of making it possible for him, as for every industrialist and every farmer, to produce an increased balanced production of those things which we all really need and want. Let us forget our personal devils, fascinating though they may be, long enough to work out the kind of economic system that really will have abundance, rather than scarcity, as its mainspring. Let us work for increased, balanced production at prices low enough so consumers can buy yet high enough so producers can stay on the job, with due regard for our natural resources, and by means characteristic of our democratic processes."

"Do Consumers Protest Enough?"
Henry A. Wallace
Radio Address - Nov. 27, 1935.

Neither Curtailing Machinery Nor Creating Work Is A Permanent Solution:
--D. Repony.

"We must bear in mind that we do not work for the sake of working, but we work for the sake of producing our commodities, and this being a fact, the quicker and the easier we accomplish this task, the more leisure we have to enjoy the product of our labor. Thus to curtail machinery for the sake of creating more work is once and for all out of the question.

"We may suggest that the machines do the work, and instead of giving the men shorter hours, take the surplus men and let them do the work that is not exactly needed now but can be done at the present essentially from the point of view so as to create jobs for the unemployed. We may suggest that we drain the swamps, irrigate the deserts, build new roads, tear down the slums, and build new houses in their place. On first sight, this may appear to be a good suggestion. True that we have plenty of swamps to be drained, and deserts to be irrigated, but by reclaiming more land we would be adding more acreage to our agriculture and that, at the present time, would be rather a calamity instead of relief, because at the present the farmers are suffering on account of overproduction of agricultural products and a great many productive farms have been abandoned; this problem is for the future generations, and not for us.

"If the Federal Government would tear down every post office that is 10 years old and build a new one in its place, and if the government would pave with concrete every road in the United States, it could be accomplished in a short time by employing the 6,000,000 men out of work, and after all this is done, what could we do to create temporary employment again? Since our present depression is not a temporary depression like all our past depressions have been, that is, all our past depressions have been temporary setbacks in the industrial evolution, but our present depression is the culmination of industrial progress into saturation, so that a new era of plenty for every one has arrived, therefore any temporary relief will have only a temporary effect."

"When and How We Will Get Out of
This Depression"
D. Repony - 1932.

Converting Farm Wastes To Manufactured Products:--H. G. Knight

"Thus far in this discussion we have confined our attention chiefly to the primary of recognized products of the farm. For every pound of grain and cotton produced there is left upon the farm from one to five pounds of residue, consisting of straw, leaves and stocks for which little use has been found. In some sections of the country where wheat is one of the principal crops, straw is universally burned, leaving only the mineral residue to enrich the soil. Some of this material has certain feed value and finds a place in the rations fed to the farm animals. It is recognized, however, as giving rather low returns. The possibility of using these materials through chemical discovery and the establishment of industries has of late created considerable interest. When we consider the enormous amounts of residues produced, much of which is or could be made available, it would seem that we have only made a very small beginning in this direction. As there is an annual production in the United States of about 100,000,000 tons of cornstalks, 115,000,000 tons of cereal straws, not including hay, not to mention the millions of tons of corncobs, cottonseed hulls, flax straw, sugar cane bagasse, and other residues, it would seem that

we badly need industries which will use such material in sufficient tonnage to have an appreciable effect over wide areas. These residues of which probably close to 300 millions of tons are potentially available annually, are not being used off the farm except to a very limited extent. The cellulose content makes them enticing from a chemical technological viewpoint, if the necessary economies permit of using them for paper, wall board and for other purposes where cellulose may be used. Further, these residues contain over 20 to 30 percent of lignin for which no practical use has been found, and considerable quantity of pentosans from which xylose and furfural may be prepared.

"The following is quoted from an editorial in the Iowa Homestead for August 30, 1928.

"They are succeeding to a remarkable extent yet they have only begun what promises to be a work, the significance of which can not be estimated at this time. Similarly, the chemical engineer is turning his attention to agriculture, especially along the line of saving wastes and of manufacturing them into useful products destined to bring a considerable additional income to agriculture... The work so far accomplished indicates that a big industry will grow out of the conversion of farm wastes into manufactured products and this will most likely be done in the rural sections, where these waste products are produced. This means that not only will these products become a source of financial income to the farmer, but they will also increase the population in rural sections and as a result augment the consumption of farm products near the point of production... The field for the industrial chemist in saving agricultural waste is very large, but one with which the average farmer is not acquainted and concerning which he is rather skeptical at the present time."

Centralization Within Limits:--Henry G. Knight

"The direct cooperative participation of farmers in the rewards of the industries which utilize their raw materials offers one effective means of correcting certain faults of the present agricultural situation. Much can be done by a combination of interests which the individual can not accomplish alone. A group of dairy farmers unite to establish a cooperative creamery and cheese factory; they engage a chemist to test the milk of the individual patrons and to control the standards of the manufactured products, with the results that there is both an increase in the profits of the business and an improvement in the quality of the butter and cheese. It is possible with such an establishment to throw their surplus into the factory to be worked up into commercial products, thereby maintaining a satisfactory market for marketable milk. A larger establishment is able to introduce economies which a smaller unit is unable to afford. On the other hand, there is an economic limit beyond which this process of centralization can not proceed."

"Chemistry and Farm Relief"

Address - Henry G. Knight
Ohio Chamber of Commerce, March 23, 1929.

Branch Factories In Smaller Communities:--E. M. Woolley

"Regional units of corporations often have better earnings than the parent plant, and such units confer far more benefits upon the people than big city plants give. Rural plants create regional and national wealth of a type that is not compatible with urban industries. Of course, both types of factories turn the raw products of the earth into tangible property. These raw materials may be timber, ores, chemicals, clays or a thousand things, including crops; but the effect upon population in smaller communities is magical. Home-building becomes an expanding industry of itself, and each home is a going business with a permanence of buying power and assurance against depressions. Factory workers in great numbers will engage in part-time farming hereafter. The large reduction in living costs will enable decentralized labor to accumulate surplus and avert pauperism such as we see today in all mass-stagnated cities. Said one manufacturer:

"With all this must come the modification of super-machine production to balance unemployment. Any one who travels through the United States and talks with people can have no doubt of this. The millions are not going to starve. They will take over industry themselves and modify it so they can work--if so-called big business does not modify it. In the end, however, big business will do it in self-defense, if not willingly.'

"From chambers of commerce and other sources in the Southwest I secured lists of 'removed' and branch factories covering the last few years, and the number runs into thousands. Leading causes for removals were prohibitive taxes, high electric rates, deteriorating home cities, racketeering, bad living conditions, labor troubles...

"On an Arkansas stage a local mayor said to me, 'In my town we have a factory and most of the hands come in from farms. One man, for instance, works there two or three days a week, but all his off-time is spent clearing and improving his land. In seven years his labor has added four thousand dollars in value to the farm. Labor is natural wealth, but it becomes your wealth only when you put it into permanent property of your own. If you live in cities where you must spend all you earn, other men get all your labor wealth. Your off-time is waste. We want small factories in Arkansas where men can work out their independence this way. At least one member of a farm family should have factory work.'

"We have big industries that follow the live-on-the-farm principle,' said a manufacturer. 'Kentucky, Georgia, Alabama, and Tennessee together have fewer people than the metropolitan district of New York has, and many corporation executives from the large Northern cities have been down here investigating. Here the living cost is half and wages go further, even if smaller. Besides, the workman is a free agent, and has a business of his own in the background that will always feed and shelter his family.'"

"Wanted--Ten Million People,"--Edward Mott Woolley,
North American Review, March 1933.

Industrialization In Eastern Tennessee:--Report

"The Conference on Decentralization of Industry and Integration of Agriculture and Industry at Knoxville, Tennessee, April 20, 1933, was well attended by manufacturers, agricultural leaders, farmers and educators. The fact that industrialization has had considerable development in Eastern Tennessee was brought out. In a number of communities a considerable fraction of employees have continued to live on the farm, driving back and forth to the factory. Among the advantages claimed for this arrangement are:

1 - A higher standard of living for farm families in regions where a low standard has hitherto resulted from over-population and unfavorable natural conditions.

2 - A comparatively low cost of living through residence on the farm and therefore comparatively low wage costs for industry without undue sacrifice of living standards.

3 - Greater security from extreme want in periods of unemployment and less serious relief problems.

4 - An elastic, yet stable and dependable supply of labor of unusually high quality and substantial character having a stake in the community and comparatively free from the psychology of unrest.

5 - A more democratic community life than laborers enjoy in large cities.

6 - A fuller utilization of local raw materials and their by-products and broader local markets for farm products.

7 - Low realty costs for industrial sites and for commercial and transport facilities serving the local population."

From Bureau of Agricultural Economics News

Decentralization Of Industry Will Aid Agriculture:--Gen'l G. E. Tripp

"If industrial decentralization takes place on a wide scale, countless farmers' families will have the choice of a variety of occupations and will be able to realize the full measure of their earning capacity without disrupting home life.

"Furthermore, decentralization of industry will help the farmer in another and quite different way.

"Electric superpower systems are vital to industrial decentralization. Without these systems, industries will not spread out into the country, regardless of advantages to be secured by doing so, but will

remain in congested centers. But wherever superpower systems are well developed, power can be secured almost anywhere, and decentralization is then free to take place. Hence, as superpower systems grow, small factories will multiply in the rural districts.

"Now, the chief obstacle to the electrification of our farms is the high cost of bringing electric service to them. It usually does not pay to tap a high-tension line and build a low-tension line to take care of the relatively small demand of a few scattered farms, but it frequently does pay to do these things to serve an industry; and, when once a service connection is made and a line is built, neighboring farms can then be supplied with electric power at a reasonable cost. Hence, as small factories multiply in the rural districts, more and more farms will be electrified.

"No one questions the great value of electric power to the farmer. Give the farmer electric power at a reasonable cost, and he can immediately relieve himself and his family of a large portion of their burden of labor, reduce his costs, make his profits more certain, and, what is of equal importance, raise his standard of living to a level corresponding to that of the city dweller, which will improve the morale of his family, help to keep his children at home, and make it more easy for him to secure efficient labor when he needs it.

"To sum up the decentralization of industry will enable the farmer to broaden the earning capacity of his family, increase the business value of his farm, and make his home more attractive. It appears, indeed, to be the most promising, if not the only practical, influence that will bring agriculture back into step with other American industries and restore prosperity to it. If this can be done, it will mean the elimination of discontent and radicalism from a large and influential proportion of our population, thereby greatly strengthening the political and economic structure of the country."

Decentralization of Industry Would Help Agriculture"
General G. E. Tripp,
Chairman, Westinghouse
Electric Company.
Address: National
Electric Light Association
1927

An Inclusive View Of Decentralization In Industry:--W. M. Jardine

"Two districts in Tennessee, both mainly agricultural, have been studied recently by the University of Tennessee to show how industrial development in small towns affects agriculture. One district is almost exclusively agricultural, while the other has a thriving industrial center. Agriculture in the district lacking industrial development has improved little in the past decade. In the other district agriculture has improved greatly, with corresponding progress in well-being. The two localities are nearly equal in soil fertility and in the character of their farming population..... In the Tennessee survey the investigators found many benefits accruing to the more-favored district from the presence therein of an industrial town. This town is only ten years old. Yet it has stimulated near-by farmers to take better care of their land, to follow good crop rotations, and to buy more fertilizer and improved machinery. Similar progress has not been made in the contrasting rural community. Farmers near the industrial town have increased their crop yields. Those in the other rural community have not. In the former district agriculture is considerably more intensive than in the latter. In the first district farmers two years ago had twice as many tractors as those in the other area. Neither district had a single tractor in 1914. It is a fair assumption that the purchase of tractors was correlated with the relative prosperity of the two communities. Still another evidence of agricultural progress in the industrially developed region was an increase in farm owners fivefold greater than the increase that took place in the other area.

"Drawing conclusions from scanty data is risky, and we cannot estimate the national consequences of industrial decentralization merely from local samples. Gain in one agricultural area may be offset by loss in another. Industries scattered among numerous small towns create new near-by markets for farmers, stimulate a more diverse and, therefore, usually a more dependable agricultural system, and cut down transportation costs. The same amount of development concentrated in fewer districts means a corresponding concentration of the resulting agricultural benefit. It is difficult to say positively under which condition the total benefit is greater. Probably the advantage lies with the more decentralized condition. It might not be possible to prove this in purely economic terms. But the benefit of industrial decentralization is social as well as economic. It includes the provision for agriculture of a thousand facilities and services not obtainable except by contact with urban centers. Thus broadly considered, the movement of industry into rural districts seems unquestionably to make for the betterment of agriculture as a whole.

"Still another important advantage comes from the spread of industry into rural districts. It tends to promote a more varied and healthful national diet. As already noted, the character of

farm production is much affected by the distance over which agricultural commodities must be transported. More nonperishable staples and less milk, fruit and vegetables are produced when the farmers are a long way from their market. It is well known that milk, fruits, and vegetables are essential to a satisfactory diet. Since industrial decentralization encourages the production of these things, it must be reckoned a powerful agency in promoting the national health. Though much has been accomplished in the long-distance shipment of fruit and vegetables, the advantage of producing such commodities near consuming centers remains, particularly from the standpoint of the poorer consumers. Whatever cuts down the cost of transporting milk, fruit and vegetables also cuts down the nation's doctor bill. Probably nothing accomplishes this result more effectively than industrial decentralization, which moves the farmer's market nearer to the farm. It is not a coincidence that malnutrition among children is more prevalent in large than in small cities.

"It seems evident that the benefit accruing to agriculture from industrial decentralization increases with the degree of decentralization, provided the process is economically sound from an industrial standpoint. It would profit nothing to spread industry around in such a way as to increase its costs of production. But when decentralization is industrially advantageous, a given amount of industrial development does more for agriculture than an equal amount of centralized development would do. Rents are usually lower in small towns than in large. Hence the small-town wage earners, provided employers take no unfair advantage of the lower cost of housing, retain a larger proportion of their income for the purchase of farm products. They may not increase the quantity but they certainly raise the quality of their food supply. Moreover, industrial growth scattered among many small towns diffuses the benefits of highway improvement, school and sanitation development, electrification, and so forth, among more farmers than would an equal growth centered in one place.

"The Town Comes To The Farmer"

W. M. Jardine

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From The Saturday Evening Post, May 4, 1929

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Stabilization Of Gold Would Reduce Violence Of Price Spread:

John R. Commons

"It is on account of taxes, interest, debts, and the violence of agricultural price changes that farmers need both stabilization of the value of money and 'orderly marketing' of crops; for it is not the high or low value of gold in itself that hurts the farmer. Changes from a high to a low value demoralize him, or from a low to a high value damage him. If the change is from high to low value of gold, the farmer, on account of increased prices, becomes

over-optimistic, and incurs larger debts than other industries in order to carry on the same amount of business as he did at the previously lower prices and the lower values of gold. And if the change occurs from a low to a high value of gold, the burden of debts and taxes is increased more by falling prices than it is for other industries, which are able to stabilize. He loses by the rising overhead charges when prices rise and he loses by the fixed charges of debts and taxes when prices drop. All industries lose in the same way, but the farmer loses more than others because his price changes are more violent and he cannot so easily escape their consequences.....This does not mean that stabilization of the value of gold would of itself change the spread between industrial prices and agricultural prices, or be a panacea for farm problems; but it would reduce the violence of future changes in the spread.....It is not only the spread between manufacturers' prices and agricultural prices that burdens the farmer; it is also the spread between his prices of former years and his prices now, resulting in an increase in the burden of taxes and debts occasioned by the fall in prices.....If the level of prices falls twenty per cent.,--that is, from 100 to 80,--then the quantity of commodities that must be sold, in order to pay a given amount of interest and taxes, must increase twenty-five per cent.--that is, from 80 to 100. The farmer's burden of taxes and debts has been increased both by the larger amount of taxes and debts payable in money, and by the larger amount of commodities required to be sold in order to pay the same amount of taxes and debts.

"In this respect the farmer suffers with others, but he is in a less advantageous position to adjust his affairs to meet the new conditions. The issue is a general one and resolves itself into the question, shall creditors obtain unearned income in terms of commodities, and producers suffer undeserved outgo in terms of commodities, by a mere rise in the value of gold, over which they have no control? Or, reversely, shall creditors be made to lose and debtors be presented with a gain by a fall in the value of gold, over which they have no control?"

"Farm Prices and the Value of Gold,"--John R. Commons,
North American Review, February 1928.

Agricultural Yield No Longer Depends On Nature's Bounty:

M. W. Alexander

"Our agricultural yield must now rest largely on human effort and intelligence where it has heretofore been derived mostly from nature's bounty. Agriculture has thereby been changed into a scientific and technological process, but industry and business have out-distanced it.....Farmers are the equal in national importance of other groups in our national life. By omission or commission, by faults or fate, the farmer's activity has gotten out of proper balance with other activities of the business structure. He now feels, and the community at large feels, that this balance must be restored and maintained in the national as well as in his own interest and for the national security. The heart of the problem, then, is to bring our best agricultural experience, our best business intelligence and social conscience to bear, to provide a sound

and stable economic basis for our agricultural life, in order that it may continue to make its vital and enduring contribution to the nation."

"The Business Man's Concern in American Agriculture"
M. W. Alexander.. Address conv. American Farm
Bureau Federation.

Corporation Farming Is Not The Solution: L. J. Taber

"Unfortunately, gifted penmen and many otherwise sound authors are suggesting that the farmer must catch his vision from the American business man; that agriculture must be reorganized, as industry is being reorganized, into great corporate units; that instead of being the absolute owner of his farm, the farmer shall become a stockholder in a corporation, accept a place on the pay roll and become the last of the American independent groups to join the wage earning class.

"Mass production has its place in national affairs. Henry Ford, General Motors, Du Pont, and hosts of others have by sound business methods written across the continent in indelible letters the truth of the statement that big business prospers as it gets bigger, and that the independent producer is passing from the nation's industrial field. *****

"All of this naturally suggests to casual observers a new solution to the farm problem. Their answer is that all that is necessary is to get improved managerial efficiency, superior merchandising experience and better financial management. *****

"We at once realize that the analogy between agriculture and industry exists only on paper and that the possibility of corporation farming as a solution of the farm problem does not exist.

"Let us see how the corporation would work out. Would Jones and Brown and Smith, who used to drive their own tractors, operate their own milking machines and run their own farms in their own way, ever make good hired men under Mr. Sharp, the high-powered efficiency engineer imported from Henry Ford's plant?

"Then, again, who is going to overcome the natural jealousy that exists because, with bigger tractors and bigger combines, we only need one tractor driver out of the dozen tractor operators in the group?

"Who is going to tell the boys to pick up the fork and the hoe? Who is going to provide that some men shall milk cows on a twelve-hour basis and that others shall gather fruit on an eight-hour day? And who is going to be the fellow to keep the books and have the white-collar job?

"Who is going to blow the whistle and ring the bell? Who is to be cashier? It is beautiful on paper, but it just doesn't work with red-blooded he-farmers or their sons in this land of ours.

"No one denies the advantages of standardization. We know that a lot of farmers buy farm machinery by the color of the paint. Some want one brand of twine and some may want another.

"But the advocates of corporation farming have forgotten the big place where standardization falls down. You can't standardize the weather.

"You set your farm in high gear. The engineer figures it will take thirty days to harvest; horses have gone, and in their place, fine efficient machines appear, and then standardization breaks down, because standardized, systematized, efficient machinery just won't work in inefficient weather.

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"To review the situation, we find that in spite of the advantages that are here and there noted in big farm corporations, and in spite of the efficiency that might be developed by big units and high-pressure methods, there are fundamental objections in the way of corporation agriculture.

"There is the seasonal and weather difficulty. The farmer and his son can whitewash the barn or fix the stable when the rain interferes with the planting. There are winter tasks that naturally are attended to on the family farm. But if there are 20 men on the harvest squad, another group of men delegated by the efficiency experts to the dairy barns, another man in charge of hogs, and so on down the line, rain and a week's bad weather would put the harvesting squad on the red-ink side. Quick shifts would be impossible, and the Henry Ford idea of having a factory alongside the farm to absorb surplus labor would have equally serious handicaps. It is safe to say that the food of America cannot be produced at present prices on a wage scale per hour comparable with that of industry. Except in isolated instances, the corporation farm would not pay.

"Danger lies in absentee ownership. If the corporation is profitable, if it pays good dividends, there will be a market for the stock that will be widely scattered, and soon the board of directors will be coming from New York or Cleveland, or possibly we will find foreign investors buying the stock of the corporation. When the corporation is unprofitable, where it goes at sheriff's sale, through foreclosures or liquidation, we would find farm corporations owned by banks and controlled by financial centers, just as we find in industry. This would be tenantry many times aggravated.

"The most serious objection would be the introduction of a labor problem in agriculture. In a few years we would have the cashier's union, the dairymen's union, the harvest hands' union, the tractor drivers' union, the chuck wagon union and possibly the ditch diggers' union and the manure haulers' union. Then we would have a federation of agricultural workers, and we would find continual difficulties and disturbances.

"The corporation idea would destroy the home-owning instinct and would eliminate the most noble of human ambitions, the ownership of the soil and the fireside. It would seriously interfere with rural home life,

would change the farm from a family to an organization problem, would eliminate family interest and would take away the spirit of initiative which has been an outstanding factor in bringing farm boys forward in national affairs.

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"All that can be gained by corporate agriculture can be brought about under other methods. It is not necessary, practical or wise to introduce large community methods in all types of production. A hen remains a hen, whether she roosts in a small henhouse or on a poultry ranch of 1,000 acres. The dairy cow requires the human touch and faithful care to secure high production. In every line of husbandry the old proverb obtains: "It is the eye of the master that fatteneth the cattle."

"Who'll Blow The Whistle?"
L. J. Taber
Country Home
April 1930

Commercial Agriculture Is Doomed: Louis M. Hacker

"But if agriculture is to be saved, its monopoly of the home market and a high price level for farm goods must be assured; and if industry and banking are to be saved, low foodstuff and raw material costs, cheap domestic labor and an open home market for the agricultural products of the peoples buying our finished goods and borrowing our money must be maintained. 'You pays your money and you takes your choice'; but choose you must. And because there can be no question of the inevitable nature of the choice, American commercial agriculture is doomed. No gifts of clairvoyance are required to foretell that the future of the American farmer is the characteristic one of all peasants for whom, in our present system of society, there is no hope."

"The Farmer is Doomed"
Louis M. Hacker
John Day Pamphlet No. 28, 1933.

Towards A Balanced Domestic Economy: Charles A. Beard

"The coordination of agriculture and machine industry in the interests of a balanced economy, related to the task of maintaining the essential economic independence of America, is the supreme task of the contemporary statesmen.

"On consulting the writing of those who propose to go to the root of this problem, I find prominently set forth a bill of specifications somewhat in the following form:

"Increase, not diminish the income and inheritance taxes, using the proceeds in the construction of roads, improvement of schools, the erection of electric power plants for rural regions, and a hundred other improvements that add to the wealth, power, beauty, and happiness of the people. Every dollar taken away from the surplus of the plutocracy, diverted from investments in foreign countries to be lost in the next war for democracy (unless our soldiers and marines can bring it home on the point of a bayonet), and devoted to the extension and enlargement of our domestic economy is a gain to America and in reality a gain to the foreign countries that are encouraged to borrow instead of save." *****

"Agriculture in the Nation's Economy"

Charles A. Beard

Address: Institute of Politics

Williamstown, 1927.